

The Metropolitan Transportation Authority (MTA)

PROGRAMMATIC POST-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April 4, 2018 – April 18, 2018

Approved verifier: Sustainalytics

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Scope and Objectives

The Metropolitan Transportation Authority (“MTA”) has issued seven series of green bonds, certified by Climate Bonds Initiative (CBI) pursuant to its programmatic certification. In 2016, Sustainalytics reviewed projects under MTA’s 2010-2014 Capital Program and concluded that projects totaling \$11.3 billion conform to the Climate Bonds - Low Carbon Transport criteria.

In April 2018, MTA engaged Sustainalytics, as required by CBI for post issuance compliance purposes, to confirm MTA’s green bonds continue to meet CBI programmatic certification requirements. Please see Schedule 1 for a list of CBI certified green bond transactions issued to the date hereof.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity’s Responsibility

MTA is responsible for providing accurate information and documentation relating to the details of the projects (as per MTA’s 2010-2014 Capital Program), including description of projects, total project costs, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of Environmental, Social and Governance (ESG) and corporate governance research and ratings to investors, conducted the verification of MTA’s green bonds, issued to finance eligible projects, and provided an independent opinion informing MTA as to the conformance of the green bonds with the Post-Issuance requirements and Low Carbon Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by MTA with respect to the Nominated Projects (as such term is defined in Schedule 2B hereto). Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by MTA. Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bonds.

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Verifier’s Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with the International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant MTA employees and review of relevant documentation to verify the conformance of MTA’s green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Review Criteria and Findings

The criteria utilized as part of the review conducted by Sustainalytics is set forth in Schedule 2A and Schedule 2B attached hereto.

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance with the Low Carbon Transport criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the issuance and allocation of \$5,372,986,605 USD from MTA CBI certified green bonds, issued to finance Nominated Projects included in the MTA’s 2010-2014 Capital Program is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of seven green bond issuances between February 2016 to December 2017 to determine if Part A: General Requirements were met.	All projects financed by MTA’s seven green bond issuances comply with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of seven green bond issuances between February 2016 to December 2017 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Transport technical criteria.	All projects financed by MTA’s seven green bond issuances fall under the Low Carbon Transport criteria and meet the requirements of the Low Carbon Transport technical criteria.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: MTA Green Bond Issuances

MTA's green bond issuances are listed below:

	Series Name	Date of Issuance	Issuance Amount (Par on Official Statement)
1	Transportation Revenue Green Bonds, Series 2016A (Climate Bond Certified)	2/25/2016	782,520,000
2	Dedicated Tax Fund Green Bonds, Series 2016B (Climate Bond Certified)	5/26/2016	588,305,000
3	Dedicated Tax Fund Green Bonds, Series 2017A (Climate Bond Certified)	2/23/2017	312,825,000
4	Transportation Revenue Green Bonds, Series 2017A (Climate Bond Certified)	3/16/2017	325,585,000
5	Dedicated Tax Fund Green Bonds, Series 2017B (Climate Bond Certified)	5/17/2017	680,265,000
6	Transportation Revenue Refunding Green Bonds, Series 2017B (Climate Bond Certified)	9/28/2017	662,025,000
7	Transportation Revenue Refunding Green Bonds, Series 2017C (Climate Bond Certified)	11/17/2017	2,021,461,605
		Total	\$5,372,986,605

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
Post-Issuance Reporting	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

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Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of MTA's green bonds is to use proceeds to finance the Transit and Commuter Systems portion of MTA's Capital Programs (Nominated Projects).</p> <p>4.2 MTA's management confirms that the Nominated Projects are essential to MTA's core mission and are compatible with an emissions trajectory consistent with the principles underlying the CBI Low Carbon Transport Criteria.</p> <p>4.3 MTA's management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 Net Proceeds of the bonds, totalling \$5,372,986,605 USD, have been allocated to the finance certain Nominated Projects.</p> <p>5.2 MTA's management has confirmed that funds were allocated to the Transit and Commuter Systems portion of MTA's Capital Programs (Nominated Projects).</p> <p>5.3 MTA's management has confirmed that all Net Proceeds of the bonds were used for financing only.</p> <p>5.4 MTA's management has confirmed that Net Proceeds of the bonds are being tracked by the Issuer following a formal internal process.</p> <p>5.5 MTA's management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Project Costs of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 MTA's pooled funding of its capital projects makes tracking proceeds to specific bond transactions prior to issuance difficult. Further, some of the Nominated Projects may have been funded by other pooled resources available for the Capital Programs. As such, MTA has tracked green bond proceeds as part of its Capital Programs tracking process.</p> <p>6.2 MTA's management has confirmed that funds for its Capital Programs were allocated to the Nominated Projects. Thus, no proceeds were unallocated.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 MTA's management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 MTA's management confirms that the information relating to the bond transactions set forth in Schedule 1 hereto and with respect to the Nominated Projects has been disclosed to the market as required by CBI.</p>	None
Verification of Post-Issuance Reporting	<p>8.1 MTA's management has provided a report containing the list of Nominated Projects to which proceeds of the bond transactions set forth in Schedule 1 hereto have been allocated. See MTA's Capital Programs.</p>	None

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The Opinion was drawn up with the aim to explain why the analyzed bond is considered sustainable and responsible. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

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The client is fully responsible for certifying and ensuring its commitments' compliance, implementation and monitoring.

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Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world’s leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the “Most Impressive Second Party Opinion Provider in 2017. In 2018, the firm was recognized as the “Largest External Reviewer” by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

For more information, visit www.sustainalytics.com

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